

ROBIN HOOD IN REVERSE: HOW THE REPUBLICAN BUDGET PLAN IS A GIFT TO THE BILLIONAIRE CLASS AND WILL HURT THE MIDDLE CLASS, SENIORS, AND THE ENVIRONMENT

March 23, 2015



A Report by Budget Committee Ranking Member Bernie Sanders

Earlier this week, Senate Republicans laid bare the kind of future they want for America: more tax breaks and corporate welfare for millionaires, billionaires, and large corporations who are already doing phenomenally well – and more pain and suffering for the middle class, working families, and the most vulnerable.

The Senate Republicans' Fiscal Year 2016 budget plan unveiled Wednesday by Budget Committee Chairman Mike Enzi exemplifies the Robin Hood principle in reverse: Quite simply, it would transfer wealth from the middle class and the poor and give to the rich. It would make savage cuts to important federal investments and shred essential safety net programs while providing enormous tax breaks for our nation's wealthiest individuals and largest corporations.

The Republican budget would cut non-war, non-defense programs by \$4.8 trillion – and all federal funding by \$5.8 trillion¹ – over the next decade while not raising even one dime in revenue from the wealthiest among us. This is in addition to the more than \$4.5 trillion in deficit reduction we've legislated over the 2016-25 budget window since 2010, and it continues the trend of reducing the deficit disproportionately through spending cuts – since 2010, we've seen more than \$4 in spending cuts for every \$1 in new revenue. **The Republican budget would bring that ratio to more than \$11 in spending cuts for every \$1 in new revenue.** Worse still, [roughly two-thirds](#) of the Republican budget's cuts to non-defense programs would come from programs that support families and individuals struggling to make ends meet.

By contrast, the Budget Committee's Democrats and Independents are committed to principles and goals that work for the American people:

- 1. Creating millions of American jobs and increase wages**
- 2. Protecting Social Security and Medicare from benefit cuts;**
- 3. Making higher education more affordable; and**
- 4. Ensuring the tax code is fair for middle-class families.**

At a time of greater income and wealth inequality than at any point since the eve of the Great Depression, the Republican budget would cut programs that children, seniors, the sick, the low-income, and working families desperately rely upon.

Many of the Republicans' cuts are left intentionally vague – clearly because they do not want to be associated with a budget that eviscerates programs that define who we are as a nation. In fact, some of the Budget Committee's Republican members have told reporters in recent days that they want their [plan to be deliberately vague](#), allowing them to avoid the criticism that was leveled on the Ryan budget when it was released last Congress. These members don't want to own a budget that proposes tax reform that would dramatically shift wealth from the middle class to the ultra-rich. And they don't want to be forced to defend a budget that strips health insurance from tens of millions of Americans, putting working families one illness away from financial collapse.

¹ Compared to the Senate Budget Committee minority's adjusted baseline – excluding the Republican budget's claim about macroeconomic effects.

However, it is clear the Republican budget would do all that and more. The Republican budget released this week would:

- Eliminate health insurance for tens of millions of Americans;
- Transfer wealth from hard-working working- and middle-class taxpayers to millionaires and billionaires;
- Prevent millions of jobs from being created by ignoring needed public investment in physical infrastructure and in education;
- Eviscerate the social safety net;
- Maintain the mindless sequestration spending cuts; and
- Halt our nation's progress in transitioning to a 21st century energy economy that protects the short- and long-term welfare of our families.

Republicans must take ownership of a budget that claims to achieve balance, but does so regardless of the very real costs to millions of Americans. It is a budget that promotes austerity rather than prosperity – a budget whose burden falls on the backs of working families in order to further reward the wealthiest individuals and largest corporations.

In order to claim that their budget will be balanced in 10 years, Republicans are using budget gimmicks such as:

- Using the Overseas Contingency Operations fund, which falls outside of the budget caps to significantly increase defense spending;
- Masking the true consequences of their policies under the guise of “unallocated” cuts and “government-wide” savings;
- Only achieving their goal of “balance” by using made-up “dynamic” numbers; and
- Dismantling health care reform, but keeping the savings and revenues that support it.

The Republicans took control of the Senate in January claiming a desire to govern. This budget document shows the American people just how the Republicans plan to do that – through draconian cuts to some of America's most important and essential programs, massive transfers of wealth up the income spectrum, and more benefits to their campaign donors.

Since January, we have promised the American people we would expose what the Republican budget would actually mean for their daily lives. We intend to offer a clear alternative to this plan with amendments that demonstrate who is truly standing up for the middle class, for job creation, and for a better tomorrow.

The Republican Budget Kicks Tens of Millions of Americans off of their Health Insurance

Republicans must not be allowed to reverse the progress we've made in ensuring [more Americans have the ability](#) to purchase health insurance while also [slowing down the rate of health care cost growth](#). The Republican budget claims savings in health care spending but does so by stripping health insurance from tens of millions of Americans and shifting costs to cash-strapped states and individuals. Specifically, the Republican budget would:

- Strip health insurance from **more than 27 million Americans** by 2025 who would otherwise be insured because of the Affordable Care Act, which the Republican budget repeals.
- Take from states their rights to expand health care access to lower-income residents through Medicaid, **kicking 11 million people off their insurance** and preventing millions more from enrolling.
- Renege on federal commitments to Medicaid by **removing over \$1.2 trillion** in funding and leaving states to decide between cutting benefits and raising taxes. Similar Republican proposals in the past took away health insurance from up to [20.5 million people](#) by 2022.
- Fail to prevent a **70 percent funding cut to community health centers** that provide care [for more than 23 million patients](#) including more than 7 million children and 250,000 identified veterans throughout the nation.
- Fails to fund the National Health Service Corps, which is responsible for bringing doctors and dentists to underserved communities in urban and rural areas.
- Strip a combined total of more than **40 million** people from access to their health insurance – and raise premiums for millions more.
- Strike the ability of young adults – a group that currently experiences an unemployment rate [well over 10 percent](#) – to get health insurance through their parents. [2.3 million young Americans](#) have already taken advantage of this feature of the ACA.
- Reap the benefits \$700 billion in Medicare savings – and [\\$1 trillion in revenue](#) from the ACA's tax increases to pay for the law's benefits – in order to bring their budget into balance, **even as they eliminate all of the ACA's benefits** like free preventive care and protections for individuals with pre-existing conditions.

The Republican Budget Refuses to Address the Unfairness in our Tax Code

In a time of great wealth and income disparity, we must make our tax code more progressive and ensure the wealthiest individuals and corporations among us pay their fair share.

The Senate budget offers no solutions other than a vaguely-worded reserve fund for tax reform that offers no information about what tax rates would be imposed, what tax loopholes would be closed, or any problems that would be solved.

It is unacceptable to most Americans that:

- Hedge fund managers making millions a year **pay an effective tax rate lower than that of teachers, firefighters, and nurses**. This happens because certain investment is taxed at lower rates than the wages and salaries that most of us earn, and the Congressional Budget Office estimates that two-thirds of the benefits of this break go to the richest one percent of households. Unfortunately, the Senate GOP budget does nothing to address this problem.
- Huge and profitable corporations like General Electric, Verizon, Bank of America, and Citigroup have in recent years **paid no federal income taxes**. Americans corporations [avoid \\$100 billion each year](#) by claiming their profits are made by shell companies in the Cayman Islands, Bermuda, and other offshore tax havens. Unfortunately, the Republican budget does nothing to solve these problems.
- Despite Republicans' rhetoric about favoring low tax burdens for America's families, their budget allows expansions of the Earned Income Tax Credit (EITC) and Child Tax Credit to expire after 2017. This would result in **a tax hike for 13 million working families with [nearly 25 million children](#)**.

The Republican budget does nothing to solve any of these problems that result in a fundamental unfairness in our tax code. Worse still, the Republican budget is completely silent about which – if any – deductions, exemptions, or loopholes it would close. Despite Republicans' supposed seriousness in reducing the deficit, **they remain committed to refusing to raise one dime in new revenue**, increasing tax giveaways to the wealthiest individuals and largest corporations.

The Republican Budget Gives Unwarranted Gifts to Big Corporations

The Republican budget also calls for a gutting of our financial regulatory system, and would allow the largest banks and financial institutions to once again put our entire economy at risk. Specifically, the Republican budget would:

- Put the American people at risk of another financial meltdown by **deregulating Wall Street**. Specifically, the bill would likely require the elimination of Title II of Dodd-Frank, which is the provision authorizing regulators to wind down large financial institutions without costs to taxpayers.
- Put Americans at risk for predatory mortgage lenders, debt collectors, payday lenders, and credit card scams by paving the way to **weaken the Consumer Financial Protection Bureau**.
- Reduce our ability to regulate Wall Street by – in all likelihood – not meeting the President's request for the Commodities Futures Trading Commission. This is the regulator tasked with overseeing the \$700 trillion derivatives marketplace.

The Republican Budget Slashes Investments in Our Future

While we have made some progress in reducing unemployment, if we count people who are underemployed or discouraged from looking for work, the real unemployment rate remains at a stubbornly high [11 percent](#).

We still need to create millions of decent paying jobs, and the fastest way to do that is to rebuild our crumbling infrastructure – roads, bridges, dams, levees, water systems, waste water plants, airports, and rail systems.

While Republicans are committed to doubling down on the failed policy of austerity – a policy for which the IMF has [apologized](#) for advocating – they simply ignore the necessity for our country to plan for tomorrow by making [necessary public investments](#).

- The Congressional Budget Office has concluded that public investment for non-defense purposes “contributes to the economy on an ongoing basis by [improving the private sector’s ability](#) to invent, produce, and distribute goods and services.”
- CBO lists three categories of public investment: **physical capital, research and development, and education and training**.
- Nearly all such investment takes place through discretionary spending. However, **investment has gradually declined** as a proportion of discretionary spending, and discretionary spending as a whole has fallen as a share of total federal spending.
- **Increasing funding for public investment is a win-win** – creating jobs today and making critical improvements to the nation’s infrastructure and workforce.

And while the Republican budget drastically underfunds physical infrastructure today, it also makes thoughtless cuts to the workforce of tomorrow. These include:

- A **31 percent** cut in total **Pell Grant** funding – In the 2014-15 school year, [nearly 8 million](#) Americans depend on Pell Grants to help with the cost of attending college.
- **Cuts to Head Start which would eliminate 110,000 children from the program over 10 years**. The Head Start program has an oft-cited benefit-cost ratio of 7-to-1 – every \$1 invested in the program yields the economy \$7 in return; under its eligibility requirements, at least [90 percent](#) of the children who are enrolled in each Head Start program must be from low-income families. The Republican budget, combined with sequestration cuts, would result in up to **620,000 children** being cut from Head Start over 10 years.
- Switching to Fair Value accounting (i.e. **added-cost accounting**) which would make student loans appear vastly more expensive to the federal government than they are – \$223 billion more expensive from this year through 2024. The Republican budget uses this change as an excuse to dramatically [increase college costs by more than 15 percent](#) for struggling students and reduce the availability of loans students rely on to finance their degree.

The Republican Budget Ignores Struggling Families and the Elderly

In the midst of the obscene level of wealth and income inequality that we are experiencing, the United States has by far the highest rate of childhood poverty of every major country on earth. Close to [20 percent](#) of our children live in poverty and about [1 out of 4 kids](#) live with food insecurity. There are schools throughout America where the one good meal a child receives is through the federal school lunch program. As a result of our high poverty, [over half of our public school students](#) today qualify for the school lunch program.

In cutting non-defense discretionary funding by more than \$37 billion below what President Obama called for, the Republican budget would **simply gut federal support programs for low-income households**. Budget Committee staff worked to distribute the portions of Republicans' proposed cuts that were unspecified and compared these draconian cuts with our adjusted baseline.² The Republicans' proposed cuts to programs that support the most vulnerable include:

- A **15 percent** cut in the following programs:
 - **Public Housing**
 - Housing for Persons **with Disabilities**
 - Special Supplemental Nutrition Program for Women, Infants and Children (WIC) – in an average year, these cuts that would leave **1.2 million people** out of the program entirely.
 - **Commodity Assistance Program**
 - Low Income Home Energy Assistance Program (**LIHEAP**) – In 2008, the average LIHEAP benefit was [\\$293 a year](#). Just **16 percent of households eligible** for the Heating and Winter Crisis Assistance portion of benefits – which are, in many states, awarded on a first-come, first-serve basis – received assistance.
 - Under the Republican budget, in an average year, nearly **900,000 families** will be kicked off LIHEAP, **benefits would be cut 12 percent**, or some combination of the two. That's beyond the already annual **420,000 families** kicked off the program – or a **5 percent benefit cut** – due to sequestration cuts.
 - Project- and Tenant-Based **Rental Assistance** – Housing Choice Vouchers help 2 million low-income families rent units on the private market, and keep 1 million Americans [out of poverty](#). In an average year under the Republican budget, nearly half a million families would be kicked off of the Section 8 program – and out of their homes. That's beyond the over 200,000 families effectively evicted because of sequestration.
- A **33 percent** cut in the Weatherization Assistance Program (**WAP**).
- An enormous cut – **up to \$660 billion over 10 years** – on programs that support low-income individuals and families. While these cuts explicitly include reductions to the Supplemental Nutrition Assistance Program (**SNAP**, formerly Food Stamps) and **child**

² The SBC 2015 baseline adjusts the January 2015 CBO baseline to assume: 1) the middle-class refundable tax credits are extended; 2) the troop level for overseas combat declines to 30,000 by 2017; 3) Medicare physician payment levels are frozen ("doc fix"); and 4) emergency funding for Ebola is not appropriated in future years.

nutrition programs, the Republican budget hides their potentially drastic policy changes by providing no details on how these cuts would be achieved.

- In 2011, [according to the USDA](#), **83 percent of households receiving SNAP benefits lived in poverty**; 39 percent had zero net monthly income; and 83 percent of benefits went to households that included a child, an elderly person, or a disabled person.
- SNAP benefits, at **just \$1.42 per meal**, are hardly lavish.
- In general, **block-granting safety net programs** is a surefire way to [squeeze their budgets](#).

The Republican Budget Unleashes More Painful Austerity on the Middle Class

This is no time to return to the failed trickle-down economics of the past that led to the worst fiscal contraction in our lifetimes. One reason for 2014's good economic performance – 2014 was the best year for job growth [since the 1990s](#) – was that replacing most of the sequestration cuts enabled government spending cuts to [stop dragging on growth](#) as much as they did in 2013. However, the Republican budget shows their party's continued commitment to the budget austerity known as "sequestration."

For Republicans, allowing the sequestration cuts to take place as scheduled would be an exercise in intentional amnesia. In 2013, when sequestration cuts took effect:

- Rental assistance was threatened for [140,000 families](#).
- The Meals on Wheels Association of America estimated the cut to Meals on Wheels would eliminate the delivery of [19 million meals](#) to seniors.
- Head Start eliminated services to [57,000 children](#).
- [NASA missions](#) were threatened with delay.
- Schools on Native American reservations and military bases deferred building maintenance; some were [closed or consolidated](#).
- The [FBI furloughed 36,000 employees](#) and reduced its workforce by 3,500.
- More than 650,000 Defense Department staffers were forced to take up to [11 days of unpaid leave](#).
- Every state experienced pain, ranging from "canceled festivals to shuttered Head Start programs to [massive layoffs](#)."
- In 2013, CBO projected that if the cuts stayed in place through 2014, they would cost a total of [1.6 million jobs](#).

Unlike 2013 when funding for veterans medical programs was exempted from sequestration's harsh across-the-board cuts, the veterans healthcare system has no such exemption from discretionary cuts going forward. **The ability of Congress to maintain funding necessary to meet the unique healthcare needs of veterans will be compromised** if these cuts are not reversed.

In fact, the Republican budget goes even further in cutting domestic funding by including limitations on the ability of the Appropriations Committee to reduce mandatory spending to

offset higher-priority discretionary spending programs. This rule change ends a long-standing practice that pre-dates the statutory caps enacted in 2011. This limitation phases out this practice, **resulting in a \$19 billion cut by 2021 or roughly 3 percent *below that year's post-sequester* level** of non-defense funding.

The Republican Budget Provides No Assurance of Reforming Defense Funding

The Republican budget lays the groundwork for an increase in defense funding. **Before we can even have a conversation about whether to increase spending at the Pentagon, it is essential we look at billions of dollars in waste, fraud, abuse, and cost overruns at the Department of Defense**, including:

- While GAO has identified over **100 needed reforms at the Defense Department to increase efficiency and reduce waste**, only a third of these proposed reforms have been fully implemented.
- **\$457 billion in cost overruns** have been added to the Department of Defense's \$1.4 trillion acquisition portfolio, according to GAO. That's \$457 billion resulting from cost growth above the original contractor estimates.
- Eight of the largest defense contractors in the United States have paid **billions of dollars in fines and settlements for misconduct and fraud** over the past two decades while raking in hundreds of billions of dollars in government contracts over the same time period.
- While the rest of the federal government is able to pass an audit, **DOD remains the only department unable to do so**. That means it can't accurately account for its income and receipts.

The Republican Budget Reverses Progress Moving Our Nation to Cleaner and More Sustainable Energy

We know that climate change is real, that we are already experiencing its impacts, and that we must change the way that we produce and use energy if we are to avert its most devastating consequences. We have an obligation to our children and grandchildren to transition away from polluting forms of energy and towards more sustainable fuels. Doing so will improve the health of our families, lower our energy bills, and help avert the potentially catastrophic damages we face from the impacts of climate change. But we also have the opportunity for American workers to lead the world in making the new clean energy technologies that will be part of that transition.

But instead of moving us further along that transition, the Republican budget would continue their party's polluter welfare programs that protect the financial interests of coal and oil companies at the expense of the health and welfare of our children and grandchildren.

The Republican budget would:

- Block efforts to ensure that taxpayers get a fair return from the development of energy resources owned by the American people, while slashing funding for programs that save middle-class consumers money on their energy bills and at the pump.
- Continue to **shower the oil industry with tens of billions of dollars in wasteful subsidies** and carve-outs, while ending tax credits for energy efficiency and renewable energy that lower our energy bills and makes us more energy-secure.
- Let polluters off the hook for cleaning up the messes they create by paving the way to weaken health protections for air, water, toxic chemicals, and a host of other public health protection for our children and families, and in the process **leaving ordinary Americans and taxpayers to bear those costs.**
- **Continue to deny the reality of climate change** by halting the critical investments we need to make to protect families, communities, and taxpayers from its impacts, including extreme storms, droughts, and sea level rise.
- Hand over America's public lands and waters to oil, coal, and timber interests for more drilling, mining, and logging, while standing in the way of efforts to preserve and enhance the enjoyment of these public natural treasures for all Americans.

The Republican Budget Does Nothing to Increase the Wages of Working Families

Not only does the Republican budget eviscerate the social safety net, their plan includes nothing to increase the income of ordinary Americans who are working longer hours for lower wages.

- The Republican budget holds tight to their party's steadfast refusal to lift the minimum wage. Raising the minimum wage to at least \$10.10 an hour **would reduce government spending on income-support programs** by more than [\\$7 billion a year](#).
- And despite widespread fears, two huge employers of minimum-wage workers – Target and Walmart – are both on record stating that the minimum wage hikes we saw in 20 states earlier this year **would lead to** [neither staff cuts nor price hikes](#).
- The Republican budget does nothing to address the fact that workers can simultaneously earn a [poverty-level wage](#) and **yet make too much to receive time-and-a-half for overtime work.**
- Over the last century, **the decline in union membership has** [mirrored the income gains of the top 10 percent of the income distribution](#) – and yet the Republican budget does nothing to rebalance bargaining power between employees and employers.
- Paid sick days, already a feature of [most well-paying jobs](#), would be a boon for low-wage workers. Instead, the Republican budget **does nothing to ensure more Americans can benefit from paid sick days.**
- While women [still earn less than men](#) for performing the exact same jobs, the **Republican budget is silent on the pressing issue of pay equity.**

Conclusion

The Republican budget represents priorities very different from those of most Americans. Balancing the budget on the backs of the most vulnerable among us while giving tax breaks to millionaires and billionaires, as the Republicans do, is simply unacceptable. While we will fight for a budget that creates millions of American jobs and increases wages, protects Social Security and Medicare from benefits cuts, makes higher education more affordable, and implements a tax code that is fair for the middle class, the Republican budget stands in stark contrast to these national priorities.

Appendix

Enzi budget as amended in markup (without macroeconomic effects) above (+) or below (-) January 2015 SBC Dems adjusted baseline:											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
budget authority:											
defense disc except war	0	0	0	0	0	0	-14	-14	-14	-14	-56
NDD except war	0	-10	-12	-16	-18	-21	-29	-38	-48	-57	-250
war	<u>46</u>	<u>-6</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>-27</u>	<u>-28</u>	<u>-29</u>	<u>-29</u>	<u>-70</u>
subtotal, discretionary	46	-15	-12	-14	-17	-21	-71	-80	-90	-101	-376
Health (550)	-106	-185	-215	-233	-251	-267	-285	-300	-318	-332	-2,490
Net Medicare (570)	-11	-22	-33	-41	-51	-61	-71	-81	-93	-102	-566
Income security (600)	0	-68	-64	-85	-87	-90	-97	-96	-94	-104	-786
Social Security (650)	0	0	0	0	0	0	0	0	0	0	0
all other mandatory	<u>-55</u>	<u>-46</u>	<u>-50</u>	<u>-60</u>	<u>-64</u>	<u>-67</u>	<u>-78</u>	<u>-86</u>	<u>-31</u>	<u>-198</u>	<u>-737</u>
subtotal, mandatory	-173	-322	-362	-420	-452	-485	-532	-563	-536	-736	-4,579
net interest	-2	-8	-22	-40	-60	-82	-108	-137	-168	-198	-823
TOTAL budget authority	-129	-345	-395	-474	-529	-588	-710	-780	-794	-1,034	-5,778
Total outlays	-120	-315	-387	-471	-523	-583	-688	-767	-785	-1,017	-5,657
Revenues	<u>0</u>	<u>0</u>	<u>3</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>44</u>
Deficits (+)	-120	-315	-390	-478	-530	-590	-694	-773	-790	-1,022	-5,701
Memo:											
Program costs BA w/o defense and war	-173	-331	-374	-435	-470	-506	-561	-602	-583	-793	-4,829